



## COUNCILMEMBER CARL DEMaIO

FIFTH DISTRICT  
CITY OF SAN DIEGO

### MEMORANDUM

DATE: September 18, 2009

TO: SDCERS Board of Administration

FROM: Councilmember Carl DeMaio *Carl DeMaio*

RE: Calculation of City's Annual Pension Payment

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This morning the SDCERS Pension Board will consider changing its accounting rules for calculating the city's annual pension contribution. The change would allow for the delay of almost \$100 million of city pension contributions over the next five years.

Councilmember Donna Frye and I are already on record in opposing this change, as we believe it is equivalent to under-funding the pension system.

In weighing whether the proposed action is consistent with your fiduciary responsibilities, I want to raise several key observations from your own hearing record on this issue:

First, the hearing record contains no evidence that your plan sponsors have requested, or even support expanding the corridor. To the contrary, in his September 16 memorandum, Mr. Wescoe applauds the city for publicly stating that it will be able to make the full payment using the current actuarial models.

Second, the hearing record does not demonstrate how changing the corridor would be of benefit your beneficiaries.

To the contrary, your own actuarial presentation states in a matter-of-fact fashion, "With no changes [to actuarial methodologies, the] plan's financial condition is better." This assertion is clearly displayed further in the presentation, which shows that expanding the corridor delays city contributions to the plan by nearly \$100 million over the next five years.

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Moreover, the hearing record contains conflicting assessments of the efficacy of changing the actuarial models. While Cheiron states that it is "comfortable" with a 130% corridor, the Unified Port of San Diego's actuary has submitted a contradictory opinion expressing "concern about allowing Actuarial Value to exceed 120% of Market Value," citing accepted actuarial community standards as well as those utilized by ERISA.

The SDCERS Board has taken important steps in recent years to improve the integrity of the pension system - and I applaud those efforts. In that same spirit, rejecting these changes to the way the city's pension contribution is calculated will provide further evidence to taxpayers that SDCERS has indeed entered into a new era of financial responsibility and accountability.

I urge the Board to seize this opportunity to significantly contribute toward the restoration of public trust in city government by choosing to maintain the sound actuarial standards currently in place.

CC: Mayor Jerry Sanders  
Jay Goldstone, COO  
David Wescoe, SDCERS Administrator/CEO  
City Councilmembers  
Andrea Tevlin, Independent Budget Analyst